

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN  
HOWARD COUNTY RETIREMENT PLAN**

**JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**December 3, 2014**

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Wednesday, December 3, 2014 at 1:30 p.m. in the Columbia Room at the Ascend One Building, 8930 Stanford Boulevard, Columbia, Maryland 21045.

**Police and Fire Plan:**

**Members Present:**

Acting Human Resources Administrator: Wanda Hutchinson  
Director of Finance: Stanley Milesky  
Representative, Howard County Police Officers' Association, Lodge 21:  
Mark Thomey  
Representative, International Association of Firefighters, Local 2000:  
Richard Ruehl

**Members Absent**

Chief Administrative Officer: Lonnie Robbins  
Acting Budget Director: Gale Benson  
Representative, Police Department Supervisory Employees:  
Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2015)  
Representative, Fire and Rescue Supervisory Employees:  
Joseph L. Calo, II (Voting Member in Fiscal Year 2015)

**Employees Plan:**

**Members Present:**

Acting Human Resources Administrator: Wanda Hutchinson  
Deputy Director of Finance: Rafiu Ighile  
Employee Representative: Jeff Bronow  
Representative, American Federation of State, County and  
Municipal Employees Local 3080: Kim Drennon  
Representative, American Federation of State, County and Municipal  
Employees Local 3085: Dale R. Chase

## Members Absent

Chief Administrative Officer: Lonnie Robbins  
Acting Budget Director: Gale Benson

Also present for all or a portion of the meeting were:

Sima Taghavi, Department of Finance  
Eric Ralph, Summit Strategies Group  
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.  
Scott Southern, Retirement Assistant, Office of Human Resources  
Chuck Lindenberg, Representative of Local 3085

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as Secretary.

Nigel Bliss and Peter Riviello representing Mondrian Investment Partners Limited provided a report on Howard County's investment in the Mondrian International Equity Fund. The Master Trust hired Mondrian as its international equity fund manager on December 3, 2007. The market value of the Mondrian portfolio is just under \$40 million.

Peter Riviello explained that Mondrian was founded in 1990 and has approximately \$67 billion in assets under management. Mondrian is 100% employee owned. All Mondrian's products utilize an income-oriented value discipline which has been consistently applied since the company's founding in 1990. Investments are based on fundamental research.

Nigel Bliss explained that the Mondrian International Equity Fund has defensive characteristics. While the Fund has provided close to benchmark returns when benchmark returns are positive, the fund has outperformed its benchmark when benchmark returns are negative. Thus, the Fund preserves capital in weak markets. Since inception, the fund has returned 0.9% as compared with the -0.3% return of the MSCI EAFE index, for a relative out-performance of 1.2%.

On a year-to-date basis, local market returns have generally been positive; however, currency weaknesses as compared to the United States dollar have reduced the overall return of the portfolio. After completing their presentations and addressing questions from the Committee and consultants, Messrs. Bliss and Riviello left the meeting.

The minutes of the October 23, 2014 were unanimously approved by the members of both Committees.

Wanda Hutchinson welcomed Jeff Bronow of the Office of Planning and Zoning as the Employee Representative on the Employees Plan. Wanda also noted that Item G. on the

Agenda relating to a disability issue under the Employees Plan would be tabled until the January meeting.

Next, Eric Ralph led a continuing discussion on the asset liability study. Eric reviewed the summary valuation results for the Plans based on the July 1, 2013 valuation results. Eric noted that the funded status of both Plans would increase to 99% over the next 10 years if the Plans achieve a 7.5% return. Eric next reviewed Summit's projection of the impact of returns of 5.5%, 6.5% and 8.5% on the funded status and the annual employer contribution as a percent of pay. Projections indicate that combined Plans would be 85% funded if the Plans achieve an investment return of 5.5% and a funded status of 107% if the Plans achieve an investment return of 8.50%. Summit also projected the annual employer contribution percentages based on these various levels of return. A 5.50% return would require an annual employer contribution before the 24% of pay while an 8.5% return would require an annual contribution equal to 15% of pay as of July 1, 2024.

Eric next reviewed the expected investment return and risk (standard deviation) of various assets classes over a 10-year investment horizon. Summit projects that most asset classes are not expected to achieve a 7.5% annualized return over a 10-year investment horizon.

The 10-year return of the current target portfolio is projected to be 6.9% with a standard deviation of 10.2%. Eric also reviewed the impact of the number of 5% changes in the target portfolio on the 10-year expected return and the standard deviation. Eric noted that some of the portfolios would include some asset classes in which the Master Trust is not currently invested, including Private Energy, Emerging Market Debt and Hedge Fund Risk Parity.

After discussion, the Committee requested Summit Strategies to prepare a more detailed analysis of different asset allocations, including the current target, some portfolios projected to produce higher returns with comparable risks and some portfolios projected to produce higher returns and greater volatility.

Next, Eric Ralph provided the Committees with the 2014 Liquidity Review. The current projection is for a net cash flow of \$18 million. Liquidity concerns become an issue when negative cash flow is greater than three to four percent per year. At this time, there are no liquidity concerns.

Next, Eric reviewed the investment performance of the Plans for periods ending September 30, 2014. For the trailing 12 months, the total fund composite returned 9.9% and outperformed the policy index by 37 basis points. The strong performers include the International Equity Composite which returned 4.9% and the fixed income component which returned 5.0% and was ahead of the policy index by 1.0%. Dodge & Cox returned 6.3% which outperformed the Barclays aggregate index by 2.3% and ranked in the top decile vs. peers. Real estate outperformed the NCIEIF property index by 1.7%. Private equity had an absolute return of 22.4%. Both Investment Counselors of Maryland and Westfield trailed their benchmarks over 12 months.

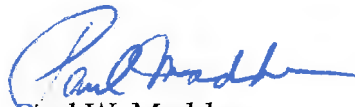
The market value of the Fund as of October 31, 2014 is \$753 million.

Next, the Committee discussed whether to purchase tablets for members of the Committee. After discussions with the County's IT Department, the Department recommended purchasing Dell Venue 11 Pro 7000 Series Tablets, keyboards and cases.

There was discussion concerning this item and a request to explore additional alternatives.

There being no further business, the meeting adjourned.

Respectfully submitted,



Paul W. Madden  
Secretary of the Meeting

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